

**REPORT OF THE AUDIT OF THE  
CLINTON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CLINTON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Clinton County Fiscal Court audit for the fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash Balances decreased by \$90,319 from the beginning of the year, resulting in a cash surplus of \$655,731 as of June 30, 2002.

#### **Debt Obligations:**

Capital lease principal agreements totaled \$18,993 as of June 30, 2002. Future principal and interest payments of \$20,013 are needed to meet these obligations

#### **Report Comments:**

- The County Should Have A Written Agreement To Protect Deposits
- Accurate Accounting Records Should Be Maintained For The Jail Canteen



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Charlene King, Clinton County Judge/Executive  
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Clinton County, Kentucky as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Clinton County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Clinton County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions of Clinton County, Kentucky as of June 30, 2002, and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
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In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2002 on our consideration of Clinton County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Clinton County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Should Have A Written Agreement To Protect Deposits
- Accurate Accounting Records Should Be Maintained For The Jail Canteen

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 20, 2002



CLINTON COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

Charlene King	County Judge/Executive
Norman Dale Asberry	Magistrate
Ricky Craig	Magistrate
Allen Glidewell	Magistrate
James Polston	Magistrate
Ricky Savage	Magistrate
Gary Tallent	Magistrate

**Other Elected Officials:**

Wanda White	County Attorney
Gene Ferrill	Jailer
Jim Elmore	County Clerk
James A. Staton	Circuit Court Clerk
Kay Riddle	Sheriff
Billy Joe Coop	Property Valuation Administrator
Steve Talbott	Coroner

**Appointed Personnel:**

Debbie Duvall	County Treasurer
Debbie Duvall	Occupational Tax Collector
Connie Branham	Finance Officer
Benjamin M. Roberts	Road Supervisor



STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS



CLINTON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

				Totals (Memorandum Only)
	Governmental Fund Types		Proprietary Fund Types	Reporting Entity
	General	Special Revenue	Enterprise	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 462,749	\$ 172,869	\$ 20,113	\$ 655,731
Restricted Cash- Payroll Revolving Account	2,162			2,162
Total Assets	\$ 464,911	\$ 172,869	\$ 20,113	\$ 657,893
<u>Other Resources</u>				
Amounts to be Provided in Future Years for Ambulance Capital Lease Agreement - Principal (Note 4)	\$ 18,993	\$	\$	\$ 18,993
Total Other Resources	\$ 18,993	\$ 0	\$ 0	\$ 18,993
Total Assets and Other Resources	\$ 483,904	\$ 172,869	\$ 20,113	\$ 676,886

CLINTON COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	Governmental Fund Types			Proprietary Fund Type	Totals (Memorandum Only) Reporting Entity
	General	Special Revenue		Enterprise	
<u>Liabilities and Equity</u>					
<u>Liabilities</u>					
Payroll Revolving Account	\$ 2,162	\$		\$	\$ 2,162
Capital Lease Obligation - Principal Payments (Note 4)	18,993				18,993
Total Liabilities	\$ 21,155	\$		\$	\$ 21,155
<u>Equity</u>					
Retained Earnings:					
Restricted	\$	\$		\$ 20,113	\$ 20,113
Fund Balances:					
Reserved	19,991	172,869			192,860
Unreserved	442,758				442,758
Total Equity	\$ 462,749	\$ 172,869	\$ 20,113	\$	655,731
Total Liabilities and Equity	\$ 483,904	\$ 172,869	\$ 20,113	\$	676,886

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CLINTON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	<u>General Fund Types</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,329,374	\$ 1,444,752	\$ 1,047,847	\$ 109,244
Receipts - Jail Canteen	62,950			
Other Financing Sources:				
Transfers In	940,570	133,794	39,330	144,550
Total Cash Receipts	<u>\$ 5,332,894</u>	<u>\$ 1,578,546</u>	<u>\$ 1,087,177</u>	<u>\$ 253,794</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,452,612	\$ 1,466,949	\$ 1,232,364	\$ 242,324
Expenditures - Jail Canteen	19,938			
Other Financing Uses:				
Transfers Out	940,570	127,030	99,138	
Capital Lease Agreement Principal Paid	10,093			
Total Cash Disbursements	<u>\$ 5,423,213</u>	<u>\$ 1,593,979</u>	<u>\$ 1,331,502</u>	<u>\$ 242,324</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (90,319)	\$ (15,433)	\$ (244,325)	\$ 11,470
Cash Balances - July 1, 2001	<u>746,050</u>	<u>93,641</u>	<u>301,851</u>	<u>100,962</u>
Cash Balances - July 1, 2002	<u>\$ 655,731</u>	<u>\$ 78,208</u>	<u>\$ 57,526</u>	<u>\$ 112,432</u>



CLINTON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2002  
(Continued)

General Fund Types					
Local Government Economic Assistance Fund	Community Development Block Grant- Learning Center Fund	Disaster and Emergency Fund	Ambulance Fund	Occupational Tax Fund	Sheriff's Fund
\$ 197,089	\$ 269,078	\$ 11,160	\$ 434,041	\$ 585,068	\$ 369
		8,000	320,100		171,200
\$ 197,089	\$ 269,078	\$ 19,160	\$ 754,141	\$ 585,068	\$ 171,569
\$ 193,473	\$ 269,079	\$ 6,411	\$ 688,934	\$ 17,986	\$ 153,388
79,646				600,100	
			10,093		
\$ 273,119	\$ 269,079	\$ 6,411	\$ 699,027	\$ 618,086	\$ 153,388
\$ (76,030)	\$ (1)	\$ 12,749	\$ 55,114	\$ (33,018)	\$ 18,181
100,575	2	4,245		132,766	
\$ 24,545	\$ 1	\$ 16,994	\$ 55,114	\$ 99,748	\$ 18,181

The accompanying notes are an integral part of the financial statements.

CLINTON COUNTY  
 STATEMENT OF CASH RECEIPTS,  
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

	Special Revenue Fund Types			Enterprise Fund Type
	Forest Fire Fund	911 Fund	Animal Control Fund	Jail Canteen Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 904	\$ 108,709	\$ 121,113	\$
Receipts - Jail Canteen				62,950
Other Financing Sources:				
Transfers In	300	123,296		
Total Cash Receipts	<u>\$ 1,204</u>	<u>\$ 232,005</u>	<u>\$ 121,113</u>	<u>\$ 62,950</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget				
and Budgeted Expenditures	\$ 1,286	\$ 176,468	\$ 3,950	\$
Expenditures - Jail Canteen				19,938
Other Financing Uses:				
Transfers Out				34,656
Capital Lease Agreement				
Principal Paid				
Total Cash Disbursements	<u>\$ 1,286</u>	<u>\$ 176,468</u>	<u>\$ 3,950</u>	<u>\$ 54,594</u>
Excess (Deficiency) of Cash Receipts				
Over (Under) Cash Disbursements	\$ (82)	\$ 55,537	\$ 117,163	\$ 8,356
Cash Balances - July 1, 2001	251			11,757
Cash Balances - July 1, 2002	<u>\$ 169</u>	<u>\$ 55,537</u>	<u>\$ 117,163</u>	<u>\$ 20,113</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH  
FLows-PROPRIETARY FUND TYPE



CLINTON COUNTY  
STATEMENT OF CASH  
FLOWS-PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Canteen Sales	\$ 20,549
Payments to Suppliers	(17,656)
Other Receipts (Vending Machine Commissions)	<u>184</u>
Net Cash Provided By Operating Activities	<u>\$ 3,077</u>
Cash Flows From Noncapital Financing Activities:	
Cash Received on Inmate Accounts	\$ 62,766
Cash Refunded on Inmate Accounts	(2,282)
Payments to Fiscal Court For Inmate Booking, Housing, and Medical Fees	(34,656)
Payments to Canteen From Inmate Accounts	<u>(20,549)</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$ 5,279</u>
Net Increase in Cash	\$ 8,356
Cash and Cash Equivalents - Beginning	<u>11,757</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 20,113</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 8,356
Increase in Inmate Account	<u>(5,279)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 3,077</u></u>

The accompanying notes are an integral part of the financial statements.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Clinton County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14. There are no component units which merit consideration as part of the reporting entity.

Additional - Clinton County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Clinton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Clinton County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Clinton County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Community Development Block Grant - Learning Center Fund, Disaster and Emergency Fund, Ambulance Fund, Occupational Tax Fund, and the Sheriff's Fund.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Forest Fire Fund, 911 Fund, and Animal Control Fund are Special Revenue Fund Types.

3) Proprietary Fund Type

The Proprietary Fund Type is an enterprise fund used to report an activity for which a fee is charged to external users for goods or services. The Clinton County Proprietary Fund Type includes the jail canteen fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Clinton County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Jail Canteen Fund because the Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Clinton County Fiscal Court:

Clinton County Industrial Development Authority  
Clinton County Extension District  
Clinton County Public Library



CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture.

Albany-Clinton County Recreational Park Board  
Tri-County Animal Control Board

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the county securing the county's interest in the collateral.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Capital Lease Obligation - Ambulance

On March 24, 1999, Clinton County entered into a capital lease agreement with Farmers Bank and Capital Trust in the amount of \$52,800. The funds were to be used to purchase an ambulance. The county was in substantial compliance with the lease agreement as of June 30, 2002. The lease matures in April 2004. The principal and contract income is to be paid quarterly based upon a 5.28% interest rate. The principal balance outstanding as of June 30, 2002 was \$18,993.

Fiscal Year Ended		
June 30	Interest	Principal
2003	\$ 798	\$ 10,638
2004	222	8,355
Totals	<u>\$ 1,020</u>	<u>\$ 18,993</u>

Note 5. Insurance

For the fiscal year ended June 30, 2002, Clinton County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 6. Litigation

The Clinton County Fiscal Court has filed a lawsuit against the Clinton County Sheriff for partial nonpayment of his 1997 and 1998 taxes collected. This lawsuit is still pending; therefore, no outcome can be predicted at this time. However, if the court should rule in favor of the fiscal court it is possible that it will receive additional revenue from the Sheriff in the future.

The Clinton County Sheriff has filed a lawsuit against the Clinton County Fiscal Court for payment of his 1999 statutory maximum salary and benefits. This lawsuit is still pending; therefore, no outcome can be predicted. However, if the court should rule against the fiscal court it is possible that the fiscal court will have to pay the Sheriff his maximum salary and benefits for that year.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 7. Grants

A. Community Development Block Grant - Learning Center Fund

In fiscal year 1996, the Clinton County Fiscal Court was awarded a federal community development block grant for \$643,786 from the Department for Local Government, Commonwealth of Kentucky. The purpose of this grant was the acquisition of land and construction of the Clinton County Learning Center. Funds are drawn down on an as needed basis. During fiscal year 2002, the Clinton County Fiscal Court received and expended grant funds totaling \$269,078.

B. Blacktop Grants

The Clinton County Fiscal Court was awarded two state grants totaling \$391,254 from the Commonwealth of Kentucky Transportation Cabinet for the purpose of blacktopping various county roads. During fiscal year 2002, the Clinton County Fiscal Court received and expended grant funds totaling \$391,254.

C. Local Economic Development Fund Grant - Industrial Park Sanitary Wastewater Lagoon

The Clinton County Fiscal Court was awarded a state grant from the Kentucky Economic Development Finance Authority in the amount of \$137,421. The purpose of the grant was construction of a wastewater lagoon at the Clinton County Industrial Park. During fiscal year 2002, the Clinton County Fiscal Court received grant funds totaling \$137,421 and expended grant funds totaling \$136,685.

D. Animal Control Shelter Grant

The Clinton County Fiscal Court was awarded a state grant from the Commonwealth of Kentucky, Department of Agriculture in the amount of \$120,000 for the purpose of constructing a regional animal control shelter for the Tri-County Animal Control Board, which is a joint venture with Wayne and Cumberland Counties. During the fiscal year 2002, the Clinton County Fiscal Court received grant funds totaling \$120,000 and expended grant funds totaling \$3,950.

E. Kentucky Medicaid Assistance Program

The Clinton County Fiscal Court entered into two Funds Transfer Agreements with the Clinton County Hospital for the purpose of facilitating an intergovernmental transfer of funds to the Commonwealth of Kentucky in order to qualify the hospital for receipt of enhanced payments for services provided to Medicaid-eligible residents. During fiscal year 2002, the Clinton County Fiscal Court received and transferred funds totaling \$1,037,280.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



CLINTON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,420,188	\$ 1,444,752	\$ 24,564
Road and Bridge Fund	1,083,732	1,047,847	(35,885)
Jail Fund	96,900	109,244	12,344
Local Government Economic Assistance Fund	192,121	197,089	4,968
Community Development Block Grant- Learning Center Fund	300,000	269,078	(30,922)
Disaster and Emergency Fund	3,850	11,160	7,310
Ambulance Fund	409,544	434,041	24,497
Occupational Tax Fund	533,700	585,068	51,368
Sheriff's Fund		369	369
<u>Special Revenue Fund Type</u>			
Forest Fire Fund	1,000	904	(96)
911 Fund	106,150	108,709	2,559
Animal Control Fund	108,000	121,113	13,113
Totals	<u>\$ 4,255,185</u>	<u>\$ 4,329,374</u>	<u>\$ 74,189</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,255,185
Add: Budgeted Prior Year Surplus			<u>615,197</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 4,870,382</u>

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SCHEDULE OF OPERATING REVENUE



CLINTON COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES	
		General Fund Type	Special Revenue Fund Type
Taxes	\$ 876,390	\$ 794,998	\$ 81,392
In Lieu Tax Payments	91,882	91,882	
Excess Fees	4,000	4,000	
Licenses and Permits	20,371	20,371	
Intergovernmental Revenues	2,798,443	2,678,443	120,000
Charges for Services	459,782	459,782	
Miscellaneous Revenues	62,660	35,135	27,525
Interest Earned	15,846	14,037	1,809
Total Operating Revenue	<u>\$ 4,329,374</u>	<u>\$ 4,098,648</u>	<u>\$ 230,726</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



CLINTON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

<u>GENERAL FUND TYPE</u>			
<u>Expenditure Categories</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
General Government	\$ 480,936	\$ 412,399	\$ 68,537
Protection to Persons and Property	829,561	768,385	61,176
General Health and Sanitation	180,621	171,826	8,795
Social Services	2,000	1,714	286
Recreation and Culture	346,655	312,004	34,651
Roads	1,151,084	1,113,821	37,263
Capital Projects	8,500	3,607	4,893
Administration	<u>1,558,582</u>	<u>1,487,152</u>	<u>71,430</u>
Total Operating Budget - All General Fund Types	\$ 4,557,939	\$ 4,270,908	\$ 287,031
Other Financing Uses:			
Principal on Capital Leases - Ambulance	<u>10,093</u>	<u>10,093</u>	<u></u>
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 4,568,032</u>	<u>\$ 4,281,001</u>	<u>\$ 287,031</u>
<u>SPECIAL REVENUE FUND TYPE</u>			
<u>Expenditure Categories</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
Protection to Persons and Property	\$ 170,948	\$ 155,083	\$ 15,865
General Health and Sanitation	108,000	3,950	104,050
Administration	<u>23,402</u>	<u>22,671</u>	<u>731</u>
TOTAL BUDGET - ALL SPECIAL REVENUE FUND TYPES	<u>\$ 302,350</u>	<u>\$ 181,704</u>	<u>\$ 120,646</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Charlene King, Clinton County Judge/Executive

Members of the Clinton County Fiscal Court

**Report On Compliance And On Internal Control**  
**Over Financial Reporting Based On An Audit Of Financial**  
**Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Clinton County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clinton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Should Have A Written Agreement To Protect Deposits
- Accurate Accounting Records Should Be Maintained For The Jail Canteen

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clinton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clinton County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comments and recommendations.

- Accurate Accounting Records Should Be Maintained For The Jail Canteen

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 20, 2002

## COMMENTS AND RECOMMENDATIONS



CLINTON COUNTY  
COMMENTS AND RECOMMENDATIONS

For The Fiscal Year Ended June 30, 2002

NONCOMPLIANCES

1) The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of August 31, 2001, the county had bank deposits of \$337,841; FDIC insurance of \$100,000; and collateral pledged or provided of \$383,576. Even though the county obtained sufficient collateral of \$383,576, there was no written agreement between the county and the depository institution, signed by both parties, securing the county's interest in the collateral. We recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, (c) an official record of the depository institution.

*County Judge/Executive Charlene King's Response:*

*We have asked the bank to submit a written agreement.*

2) Accurate Accounting Records Should Be Maintained For The Jail Canteen

Our audit revealed that although the jailer is now maintaining the required accounting records for the jail canteen fund, these records were not accurately maintained. Based on the available bank records, the jailer's receipts and disbursements ledgers, daily check out sheets, and listings of amounts owed to the prisoners were not accurate. In addition, the annual canteen report submitted to the county treasurer for FY 2002 was not complete or accurate.

KRS 441.135 states, "the jailer may maintain a canteen fund for the benefit of the prisoners lodged in the jail and may assign such jail employees and prisoners to operate the canteen as are necessary for efficient operation. All profits from the canteen shall be used for the benefit or recreation of the prisoners. The jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account."

In addition, the Instructional Guide For County Budget Preparation And State Local Finance Officer Policy Manual lists minimum accounting and reporting standards as prescribed by the state local finance officer pursuant to KRS 68.210 and states that these standards are to be utilized by county jailers for jail canteen funds. These standards require that daily checkout sheets be prepared and daily deposits be made. They also state that a maximum of fifty dollars shall be used for start-up money for the next business day. Receipts should be accurately posted to the jail canteen receipts journal on a daily basis and the total amount category should agree with the amount deposited line on the daily check out sheet.

CLINTON COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Fiscal Year Ended June 30, 2002  
(Continued)

NONCOMPLIANCES (Continued)

2) Accurate Accounting Records Should Be Maintained For The Jail Canteen (Continued)

Checks should be accurately posted to the jail canteen disbursements journal. We recommend the jailer comply with these minimum accounting and reporting standards.

*Bookkeeper Janet Ferrill's Response:*

*The Jailer and I are still working on a better method for maintaining better records for the canteen and reimbursed fees.*

PRIOR YEAR FINDINGS

In the prior year audit report, we reported the following comments:

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$328,885 And Entered Into A Written Agreement To Protect Deposits
- Accurate Accounting Records Should Be Maintained For The Jail Canteen

The County obtained a sufficient pledge of collateral to protect deposits but did not enter into a written agreement. The lack of a written agreement will be commented on in the current year report. In addition, accurate accounting was not maintained for the jail canteen. This comment will be repeated in the current year report.



CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

CLINTON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

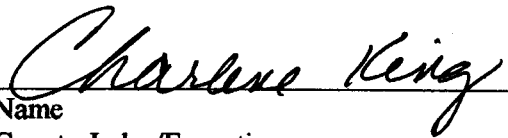
**CERTIFICATION OF COMPLIANCE**


**LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**CLINTON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2002**

The Clinton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer

